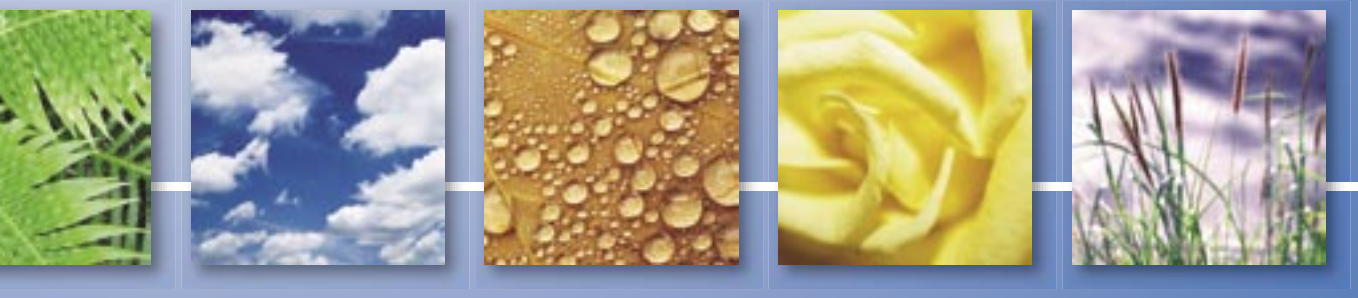
2006 FLEXIBLE BENEFITS PLAN



STATE OF MICHIGAN

Plan Booklet

Employee Benefits Resource Directory

COMPANY	DEPARTMENT	HOURS	PHONE /WEB ADDRESS
Fringe Benefits Management Co. (Flexible Spending Accounts)	FBMC Customer Service Automated Services	Mon - Fri, 7 a.m. - 10 p.m. ET 24 hours a day	1-800-342-8017 1-800-865-3262 850-425-4608 (FAX) www.myfbmc.com/michigan
EZ REIMBURSE® MasterCard® Card	Lost or Stolen Card/Disputes	24 hours a day	1-800-689-0821
EZ REIMBURSE® Card Pharmacy Help Desk		24 hours a day	1-800-361-4542

EMPLOYER	DEPARTMENT	HOURS	PHONE / WEB ADDRESS
State of Michigan	MI HR Service Center P. O. Box 30002 Lansing, MI 48909	Mon - Fri, 7 a.m. - 6 p.m.	1-877-766-6447 517-241-5892 (FAX) www.michigan.gov/selfserv
	Department of Civil Service Employee Benefits Division 400 South Pine Street P.O. Box 30002 Lansing, MI 48909	Mon - Fri, 8 a.m. - 5 p.m.	1-800-505-5011 www.michigan.gov/mdcs Click on 'Employee Benefits,' then 'Flexible Spending'

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IMPORTANT DATES TO REMEMBER

Your Open Enrollment dates are:
November 7, 2005 through December 1, 2005.

Your Period of Coverage dates are:
January 1, 2006 through December 31, 2006.

Enrollment at a Glance

Your Open Enrollment

The State of Michigan has implemented Flexible Spending Accounts (FSAs) to help you reduce your taxes and increase your spendable income. Taking advantage of the plan is simple; just select the Flexible Spending Account(s) you need — Medical Care FSA, Dependent Care FSA or both.

You authorize per-pay-period deposits to your FSA from your before-tax salary. When you incur eligible medical or dependent care expenses, you request tax-free withdrawals from your account to reimburse yourself. **You never have to pay federal or state income taxes, FICA or Medicare taxes on the money you contribute to your FSA. Because you pay less in taxes, you have more spendable income.**

Important Enrollment Information

- You must carefully read this booklet and calculate your estimated expenses.
- Enrollments must be entered using MI HR Self-Service at www.michigan.gov/selfserv.
- NEW! If you want to use the EZ REIMBURSE® Card during 2006, you must order the card during open enrollment using the EZ REIMBURSE® Card Order Form. You can find and print the form by going to www.michigan.gov/mdcs, then choose 'Employee Benefits' from the left menu. Then, select 'Flexible Spending.'
- NEW! If you have an EZ REIMBURSE® Card from the 2005 Plan Year, you must still order the card during open enrollment to prevent your card from being deactivated on January 1, 2006.
- In addition to the FSA Worksheets in this booklet to calculate your deductions, you can also use the online calculators on the State of Michigan Web site at www.michigan.gov/mdcs. Click "Employee Benefits," then "Flexible Spending, Calculators" to calculate your estimated tax savings.
- Access to the MI HR Service Center is available 7 days a week, except during regular scheduled maintenance, via the Internet/intranet. The maintenance schedule and password assistance are available on the MI HR Gateway at www.michigan.gov/selfserv.
- When you have completed your online enrollment, you will immediately receive an electronic Confirmation Statement on the screen that you must print and retain.
- You may call FBMC Customer Service at 1-800-342-8017. The representatives are knowledgeable specialists that can help you calculate your eligible expenses and can also answer any questions regarding how the program works.
- **FBMC cannot assist with MI HR Self-Service questions.**
- Please contact the MI HR Service Center at 1-877-766-6447 if you do not have access to a computer or need assistance with MI HR Self-Service.

Your enrollment must be completed by December 1, 2005

- If you have questions about Flexible Spending Accounts, call FBMC Customer Service at 1-800-342-8017, Monday – Friday, 7 a.m. to 10 p.m. ET, 1-800-955-8771 (TDD).

Interactive Benefits

Information regarding your FSAs is just a phone call away! Call Interactive Benefits 24 hours a day at: 1-800-865-FBMC (3262) to review your FSA information and request reimbursement forms. See Page 5 of this booklet for details.

FBMC Internet Access

Customer Service is available to you through the FBMC homepage. Log on to **www.myfbmc.com/michigan**.

To access your FBMC personal account once you are enrolled, enter your Employee ID Number and the last four digits of your Employee ID Number as your temporary PIN (prior to January 1, 2006, you will enter your Social Security number and the last four digits of your Social Security number as your temporary PIN). You will then be asked to register. (If you have already used the Interactive Benefits telephone information line, the password you've chosen there will be the password you use online.)

You may also contact FBMC Customer Service at **webcustomerservice@myfbmc.com/michigan.**

Getting answers to many of your benefit questions is easier than ever. FBMC Customer Service offers you a variety of resources to make inquiries on your Flexible Spending Account, including information from the FBMC Web site, Interactive Voice Response system or Customer Service.

FBMC Web Site

FBMC's Web site provides information regarding your benefits and comprehensive details on your Flexible Spending Account(s).

By entering **www.myfbmc.com/michigan** into your Internet browser, you will open FBMC's homepage. Answers to many of your benefit questions can be obtained by using the following navigational tabs located along the top portion of the home page.

Account Information **(available to current enrollees)**

When you select the '**Account Information**' tab, you'll be prompted to enter your Employee ID Number (Social Security number prior to January 1, 2006) and Personal Identification Number (PIN). After this login, the following menu items will be available to you.

- **My Benefits**– includes information on current benefits, such as effective date, number of deductions and pre-tax annual contribution
- **My Account Transactions**– allows review of transactions from your current and previous plan years, including run-out period information
- **Account Balance**– gives specifics about account availability, paid amounts and payment status
- **My Claims**– provides information on open and current reimbursement claims such as date received, status and amount authorized
- **Change in Status**– this service is not provided to the State of Michigan by FBMC. You may initiate Life Event Changes by accessing the MI HR Service Center.
- **EZ REIMBURSE® MasterCard® Card Pharmacy Locator**– locate a participating pharmacy in your area
- **Tax Savings Analysis**– calculates potential per-pay-period and annual tax savings as well as long-term savings (no login required)

Downloading Forms

When you select the '**Download Forms**' tab, a choice of forms, including a sample Letter of Medical Need, FSA Reimbursement Request Form, EZ REIMBURSE® Card Transmittal Sheet and Direct Deposit Form, are posted for your convenience.

Frequently Asked Questions

The '**Frequently Asked Questions**' tab provides answers to many of your general questions regarding Flexible Spending Accounts, enrollment information and the EZ REIMBURSE® Card. **This information is not specific to the State of Michigan plan.**

FBMC Customer Service

The '**Customer Service**' tab gives you a direct link to the FBMC Customer Service Center.

FBMC Interactive Benefits

FBMC's 24-hour automated phone system, Interactive Voice Response (IVR), can be reached by calling 1-800-865-FBMC (3262). This system allows you to access your benefits any time. By following the voice prompts, you can find out a great deal of information about your benefits.

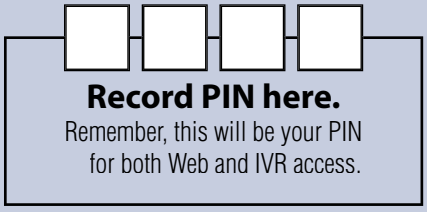
- Current Account Balance(s)
- Claim Status
- Mailing Address Verification
- Obtain FSA Reimbursement Request Claim Forms
- Change Your PIN

You may not request a Change in Status Form using FBMC's IVR. You may initiate Life Event Changes by accessing the MI HR Service Center.

Personal Identification Number (PIN)

To access both the FBMC Web site and the Interactive Voice Response (IVR) system, all you need is your Employee ID Number. The last four digits of your Employee ID Number will be your first PIN, whether using the Web site or the IVR system. After your initial login, you will be asked to register and select your own confidential PIN to access both systems in the future. Your new PIN cannot be the last four digits of your Employee ID Number, as it was previously. If you forget your PIN, click the "I forgot my PIN" link for help or you may send an e-mail to a Customer Service Representative at **webcustomerservice@myfbmc.com/michigan**. Once you've logged in, you may access information about your benefits.

Attempting to log in prior to January 1, 2006? You will need to use your Social Security number. The last four digits of your Social Security number will be your first PIN.



Record PIN here.
Remember, this will be your PIN for both Web and IVR access.

Note: Please be sure to keep this Plan Booklet in a safe, convenient place, and refer to it for benefit information.

Eligibility Requirements

When does my period of coverage begin?

Current Employees: Your period of coverage is January 1, 2006 through December 31, 2006. See Page 18 for information about changing your coverage.

New Employees: New employees must enroll within **30 days** of their hire date. For mid-year enrollments, contact the MI HR Service Center within 30 days of your hire date. If you do not enroll during this initial eligibility period, you must wait until the next annual Open Enrollment or until you experience a valid Life Event Change (see Page 18).

After completion of benefits enrollment, coverage will be effective on the first day of the bi-weekly payroll period following either:

- your first day of employment, or
- the date when the enrollment process is completed, whichever is later.

If you enroll during Open Enrollment, your period of coverage is the same as the plan year (January 1, 2006 through December 31, 2006).

Who is eligible to enroll in the Flexible Benefits Plan?

- All State of Michigan employees except non-career, contractual or student assistant employees
- Anyone who is a Seasonal Employee must ensure that the number of deduction pay dates elected are within the months of employment to ensure the annual deduction amount desired can be fulfilled.

Who are eligible dependents?

Please see Page 11 and Page 15 for information regarding eligibility for each type of FSA.

Appeal Process

FSA Reimbursement Claims

If you receive a full or partial denial of an FSA reimbursement claim request, you have the right to appeal the decision by sending a written request to **Fringe Benefits Management Company (FBMC), P.O. Box 1878, Tallahassee, FL 32302-1878 – FBMC Customer Service 1-800-342-8017** for review within **30 days** of your receipt of denial.

Your appeal must state:

- the name of your employer
- why you think your request should not have been denied
- the date of the services for which your request was denied
- a copy of the denied request
- the denial letter you received
- any additional documents, information or comments you think may have a bearing on your appeal.

Your appeal will be reviewed upon receipt of it and its supporting documentation. You will be notified of the results of this review within 30 business days from receipt of your appeal. In unusual cases, such as when appeals require additional documentation, the review may take longer than 30 business days.

Mid-year Enrollments or Life Event Change Denial

You have the right to appeal the decision by sending a written request to the State of Michigan, Employee Benefits Division for review within **30 days** of receipt of the denial (contact information can be found on Page 2).

Note: Appeals are approved only if the extenuating circumstances and supporting documentation are within IRS regulations governing the plan.

What is a Flexible Spending Account?

Fringe Benefits Management Company (FBMC) and the State of Michigan provide you with IRS tax-favored Flexible Spending Accounts (FSAs) to stretch your medical expense and dependent care dollars.

Flexible Spending Accounts feature:

- IRS-approved reimbursement of eligible expenses tax free
- per-pay-period deposits from your pre-tax salary
- savings on federal income taxes, state income taxes and Social Security taxes and
- security of paying anticipated expenses with your FSA.

Is an FSA right for me?

If you spend money on eligible expenses during your plan year, you may save money by paying for them with an FSA. A portion of your salary is deposited into your FSA each pay period.

- You decide the amount you want deposited.
- You are reimbursed for eligible expenses before federal income taxes and Social Security taxes are deducted.
- You save income taxes and Social Security taxes each time you receive wages.
- Determine your potential savings with a Tax Savings Analysis at **www.michigan.gov/mdcs**, click 'Employee Benefits' from the left menu. Then, click 'Flexible Spending' and 'Tax Savings Calculator.'

What types of FSAs are available?

Your employer offers you a Medical Care FSA as well as a Dependent Care FSA. If you incur both types of expenses during a plan year, you can establish both types of FSAs.

Medical Care FSAs

Medical expenses not covered by your insurance plan may be eligible for reimbursement using your Medical Care FSA, including, but not limited to:

- prescription and medical co-payments and deductibles
- eyeglasses
- orthodontia and
- some Over-the-Counter items.

Dependent Care FSAs

Dependent care expenses, whether for your child or your elderly dependent, include any expense that allows you to work, such as:

- day care services
- in-home care
- nursery and preschool and
- summer day camps.

Refer to the *Medical Care FSA* and *Dependent Care FSA* sections of this Plan Booklet for specifics on each type of FSA.

Receiving Reimbursement

Your reimbursement will be processed within five business days from the time FBMC receives your properly completed and signed FSA Reimbursement Request Form. To avoid delays, follow the instructions for submitting your requests located in the FSA materials you will receive from FBMC following enrollment.

Direct Deposit

Enroll in Direct Deposit to expedite your reimbursement (optional).

- FSA reimbursement funds are automatically deposited into your checking or savings account.
- There is no fee for this service.
- You don't have to wait for postal service delivery of your reimbursement (however, you will receive notification that the claim has been processed).

To apply, complete the Direct Deposit Enrollment Form available at **www.myfbmc.com/michigan** or call FBMC Customer Service at 1-800-342-8017. Please note that initial processing of your Direct Deposit enrollment may take between four to six weeks.

Where can I get information about FSAs?

If you have specific questions about FSAs, contact FBMC Customer Service.

- Visit **www.myfbmc.com/michigan**.
- E-mail **webcustomerservice@myfbmc.com/michigan**.
- Call 1-800-342-8017 (Monday-Friday, 7 a.m.-10 p.m. ET).

Please note that due to FBMC's Privacy Policy, we will not discuss your account information with others without your verbal or written authorization.

FSA Savings Example*

$31,000	Annual Gross Income	$31,000
- 5,000	FSA Deposit for Recurring Expenses	- 0
$26,000	Taxable Gross Income	$31,000
- 5,889	Federal, Social Security Taxes	-7,021
$20,111	Annual Net Income	$23,979
- 0	Cost of Recurring Expenses	-5,000
$20,111	Spendable Income	$18,979

By using an FSA to pay for anticipated recurring expenses, you convert the money you save in taxes to additional spendable income. That's a potential annual savings of

$1,132!

* Based upon a 22.65% tax rate (15% federal and 7.65% Social Security) calculated on a calendar year. You may also save state income taxes, which are not included in this example.

Flexible Spending Accounts

CONTINUED

FSA Guidelines:

1. The IRS does not allow you to pay your medical or other insurance premiums through either type of FSA. Refer to the "Written Certification" portion of the *Beyond Your Benefits* section of this Plan Booklet for more specifics.
2. You cannot transfer money between FSAs or pay a dependent care expense from your Medical Care FSA or vice versa.
3. **You have a run-out period (until April 15, 2007)** at the end of the plan year for reimbursement of eligible FSA expenses incurred during your period of coverage within the 2006 Plan Year. See the shaded box at right for further details.
4. You may not receive insurance benefits or any other compensation for expenses which are reimbursed through your FSAs.
5. You cannot deduct reimbursed expenses for income tax purposes.
6. You may not be reimbursed for a service which you have not yet received.
7. Be conservative when estimating your medical and/or dependent care expenses for the 2006 Plan Year and grace period. IRS regulations state that any unused funds which remain in your FSA after a plan year and grace period ends and all reimbursable requests have been submitted and processed cannot be returned to you.

What documentation of expenses do I need to keep?

The IRS requires FSA customers to maintain complete documentation, including keeping copies of receipts for reimbursed expenses, for a minimum of one year.

How do I get the forms I need?

To obtain forms you will need after enrolling in either a Medical Care or Dependent Care FSA, such as an FSA Reimbursement Request Form, Letter of Medical Need or Direct Deposit Form, you can visit FBMC's Web site, **www.myfbmc.com/michigan**, or call FBMC Customer Service at 1-800-342-8017. For more information, refer to the *Getting Answers* section of this Plan Booklet.

For Life Events change forms (Change in Status) you can visit the State of Michigan Employee Benefits Web site at www.michigan.gov/mdcs, then click 'Employee Benefits,' then 'Forms.'

Will contributions affect my taxes?

Salary reductions made under a cafeteria plan, including contributions to one or both FSAs, will lower your federal and state taxable income and taxes, as well as your Medicare and FICA contributions. These reductions are one of the money-saving aspects of starting an FSA. Your salary reductions will reduce earned income for purposes of the federal Earned Income Tax Credit (EITC).

To help you choose between the available taxable and tax-free benefits, or a combination of both, consult your tax advisor and/or the IRS for additional information.

New this year!

A recent IRS Revenue Notice permits a "**grace period**" of two months and 15 days following the end of your 2006 Plan Year (December 31, 2006) for your FSAs. This new grace period ends on March 15, 2007. **During the grace period, you may incur medical and dependent care expenses and submit claims for these expenses. You may also use your EZ REIMBURSE® Card.** Funds will be automatically deducted from any remaining dollars in your 2006 FSA balance.

You should not confuse the new grace period with the plan's "**run-out period**." The run-out period extends until April 15, 2007. This is a period for filing claims incurred anytime during the 2006 Plan Year, as well as claims incurred during the grace period mentioned above.

EZ REIMBURSE® MasterCard® Card

What is the EZ REIMBURSE® MasterCard® Card?

The EZ REIMBURSE® Card is a stored-value card. It is a convenient Medical Care FSA reimbursement option which allows FBMC to electronically approve some eligible expenses under your employer's plan and IRS guidelines. Your annual Medical Care FSA contribution is available to you at the beginning of your plan year. When you use your EZ REIMBURSE® Card to pay for eligible expenses, funds are electronically deducted from your Medical Care FSA.

What are the EZ REIMBURSE® Card advantages?

The advantages of using your EZ REIMBURSE® Card include:

- instant reimbursements with no out-of-pocket expense
- instant approval of prescription expenses and standard co-payments
- easy access to your Medical Care FSA funds.

What can I use the EZ REIMBURSE® Card for?

You will be able to use your EZ REIMBURSE® Card to pay for eligible expenses through your Medical Care FSA, including:

- co-payments and deductibles for health care expenses
- vision and dental expenses and
- prescription expenses.

Note: You **cannot** use your EZ REIMBURSE® Card for Over-the Counter expenses, cosmetic dental expenses or eye glass warranties.

What does it cost to use the EZ REIMBURSE® Card?

There is a $10 non-refundable, annual fee for selecting the card. This amount is automatically deducted from your Medical Care FSA. When you budget for your FSA deductions, you may want to consider the fee in your calculations.

How do I use my EZ REIMBURSE® Card?

For eligible medical expenses, simply swipe your EZ REIMBURSE® Card like you would with any other debit or credit card. **You cannot swipe your EZ REIMBURSE® Card at your pharmacy for prescription expenses.** For prescription expenses, present your EZ REIMBURSE® Card to your pharmacist so it can be entered much like a "secondary payer." More specifics on using your EZ REIMBURSE® Card at your health care providers and pharmacies will be sent with your EZ REIMBURSE® Cards.

Visit www.myfbmc.com/michigan to view participating pharmacies. For a list of frequently asked questions, visit www.michigan.gov/mdcs, then click "Employee Benefits," then "Flexible Spending."

You must keep your documentation for a minimum of one year and submit to FBMC upon request.

What documentation do I send in for an EZ REIMBURSE® Card expense?

Documentation for a EZ REIMBURSE® Card expense is a statement or bill showing:

- name of the patient
- name of the service provider
- date of service
- type of service
- total amount of service and the amount you paid.

Note: This documentation must be sent with an ***EZ REIMBURSE® Card Transmittal Sheet*** and cannot be processed without it. Like all other FSA documentation, you must keep your EZ REIMBURSE® Card expense documentation for a minimum of one year, and submit it to FBMC when requested.

What if I don't send in documentation for an EZ REIMBURSE® Card expense?

If you fail to send in the requested documentation for an EZ REIMBURSE® Card expense, you will be subject to:

- withholding of payment for an eligible paper claim to offset any outstanding EZ REIMBURSE® Card transaction
- suspension of your EZ REIMBURSE® Card privileges and
- salary deduction for the amount of any outstanding EZ REIMBURSE® Card transactions (as permitted by law).

As an FSA participant, you will receive a Monthly Statement from FBMC. Your statement will include an ***Outstanding EZ REIMBURSE® Card Transactions*** section. If a transaction appears in this section (in blue), you must submit your proper expense documentation to FBMC.

What agreement am I making when I use the EZ REIMBURSE® Card?

By using the EZ REIMBURSE® Card, you are agreeing to the "Written Certification" portion of the *Beyond Your Benefits* section of this Reference Guide.

How do I get an EZ REIMBURSE® Card?

You must elect to receive an EZ REIMBURSE® Card by completing an EZ REIMBURSE® Card Order Form located on the MI HR Service Center Web site. Two cards will be sent to you in the mail; one for you, and one for your spouse or eligible dependent.

The EZ REIMBURSE® MasterCard® Card is issued by MetaBank.

EZ REIMBURSE® MasterCard® Card

CONTINUED

When do I send in documentation for an EZ REIMBURSE® Card expense?

You must send in documentation for any EZ REIMBURSE® Card transaction that is **not** a known co-payment (as outlined in your health plan's Schedule of Benefits) or prescription expense. See *Automatic Adjudication* section below.

Automatic Adjudication

Automatic adjudication is a procedure in which certain EZ REIMBURSE® Card transactions are substantiated without the need of an Explanation of Benefits (EOB) or documentation. FBMC is able to do this by matching known co-payments from an employee's medical plan to the merchant from which service was received. For example, a doctor's office visit may have a standard co-payment of $10 per visit during normal office hours. When a transaction is received at FBMC, the co-payment amount is recognized and the transaction can be automatically substantiated. If you do not participate in your employer's medical plan, automatic adjudication is not possible for co-payments.

To assist employees in knowing when documentation is needed and when it is not, FBMC will send you a monthly statement outlining which transactions were processed and which are outstanding. Outstanding transactions documentation appears in blue.

Co-payments Automatically Adjudicated

Health Plans	Doctor's Office Visit	Vision (Exam)	Vision (Lenses and Frames)
BCBS – PPO	$10	N/A	N/A
Blue Care Network	$10	N/A	N/A
Care Choices	$10	N/A	N/A
Grand Valley	$10	N/A	N/A
Health Alliance	$10	N/A	N/A
Health Plus	$10	N/A	N/A
M - Care	$10	N/A	N/A
Priority Health	$10	N/A	N/A
Physicians Health Plan	$10	N/A	N/A
BCBS – Vision	N/A	$5	$7.50

Prescriptions at participating pharmacies are automatically adjudicated when the EZ REIMBURSE® Card is presented as a secondary payer. No further documentation is needed.

Note: If two co-payments are charged at the same time for multiple services, these items will not be automatically adjudicated (i.e. two family members visit the doctor's office at $10 per visit, but the total amount presented for payment is $20).

Attention House of Representative Employees:

Automatic adjudication of EZ REIMBURSE® Card expenses is not available to House of Representative employees, except for prescriptions at participating pharmacies. All other EZ REIMBURSE® Card expenses wil require further documentation, as indicated on your Monthly Statement.

Minimum Annual Deposit: **$2 bi-weekly**
Maximum Annual Deposit: **$5,000 annually**

What is a Medical Care FSA?

A Medical Care FSA is an IRS tax-favored account you can use to pay for your eligible medical expenses not covered by your insurance or any other plan. Eligible expenses include amounts for the diagnosis, cure, mitigation, treatment or prevention of disease or for the purpose of affecting any structure or function of the body. Eligible expenses are also confined strictly to those incurred primarily for the prevention or alleviation of a physical or mental defect or illness. These funds are set aside from your salary before taxes are deducted, allowing you to pay your eligible expenses tax free. A partial list of these eligible expenses can be found on this page.

Whose expenses are eligible?

Your Medical Care FSA may be used to reimburse eligible expenses incurred by:

- yourself
- your spouse
- your qualifying child or
- your qualifying relative.

An individual is a **qualifying child** if they:

- are a U.S. citizen, national or a resident of the U.S., Mexico or Canada
- have a specified family-type relationship to you
- live in your household for more than half of the taxable year
- are 18 years old or younger (23 years, if a full-time student) at the end of the taxable year and
- have not provided more than one-half of their own support during the taxable year (and receive more than one-half of their support from you during the taxable year if a full-time student age 19 through 23 at the end of the taxable year).

An individual is a **qualifying relative** if they are a U.S. citizen, national or a resident of the U.S., Mexico or Canada and:

- have a specified family-type relationship to you, are not someone else's qualifying child and receive more than one-half of their support from you during the taxable year **or**
- if no specified family-type relationship to you exists, are a member of and live in your household (without violating local law) for the entire taxable year and receive more than one-half of their support from you during the taxable year.

Note: There is no age requirement for a qualifying child if they are physically and/or mentally incapable of self care. An eligible child of divorced parents is treated as a dependent of both, so either or both parents can establish a Medical Care FSA.

Partial List of Medically Necessary Eligible Expenses*

Acupuncture
Ambulance service
Chiropractic care
Contact lenses (corrective)
Dental fees
Diagnostic tests/health screening
Doctor fees
Drug addiction/alcoholism treatment
Drugs
Experimental medical treatment
Eyeglasses
Guide dogs
Hearing aids and exams
In vitro fertilization
Injections and vaccinations
Nursing services
Optometrist fees
Orthodontic treatment
Over-the-Counter items
Prescription drugs to alleviate nicotine withdrawal symptoms
Smoking cessation programs/treatments
Surgery
Transportation for medical care
Weight-loss programs/meetings
Wheelchairs
X-rays

Note: Budget conservatively. No reimbursement or refund of Medical Care FSA funds is available for services that do not occur within your plan year and corresponding grace period.

* IRS-qualified expenses are subject to federal regulatory change at any time during a tax year. Certain other substantiation requirements and restrictions may apply, and will be supplied to you with your Confirmation Statement following enrollment.

When are my funds available?

Once you sign up for a Medical Care FSA and decide how much to contribute, the maximum annual amount of reimbursement for eligible health care expenses will be available throughout your period of coverage.

Since you don't have to wait for the cash to accumulate in your account, you can use it to pay for your eligible health care expenses at the start of your plan year.

Are prescriptions eligible for reimbursement?

Yes, most filled prescriptions are eligible for Medical Care FSA reimbursement, as long as you properly substantiate the expense. Proper submission of the reimbursement request is needed to ensure that the drug is eligible for reimbursement. The IRS requires the complete name of all medicines and drugs be obtained and documented on pharmacy receipts (including prescription number, date(s) of service and total dollar amount). This information must be included when submitting your request to FBMC for reimbursement.

Is orthodontic treatment reimbursable?

Orthodontic treatment designed to treat a specific medical condition is reimbursable if the proper documentation is attached to the initial FSA Reimbursement Request Form each plan year and includes:

- a written statement, bill or invoice from the treating dentist/orthodontist showing the type and date the service incurred, the name of the eligible individual receiving the service and the cost for the service and
- a copy of the patient's contract with the dentist/orthodontist for the orthodontia treatment.

Reimbursement of the full or initial payment amount may only occur during the plan year in which the braces are first installed. For reimbursement options available under your employer's plan, including care that extends beyond one or more plan years, call FBMC Customer Service at 1-800-342-8017.

Should I claim my expenses on IRS Form 1040?

With a Medical Care FSA, the money you set aside for health care expenses is deducted from your salary before taxes. It is always tax free, regardless of the amount. By enrolling in a Medical Care FSA, you guarantee your savings.

Itemizing your health care expenses on your IRS Form 1040 may give you a different tax advantage, depending on their percentage of your adjusted gross income. You should consult a tax professional to determine which avenue is right for you.

Are some expenses ineligible?

Examples of expenses not eligible for reimbursement through your Medical Care FSA include:

- insurance premiums
- vision warranties and service contracts and
- cosmetic surgery not deemed medically necessary to alleviate, mitigate or prevent a medical condition.

When is a Letter of Medical Need required?

Medical care that is provided for specific medical purposes, but may also be provided for personal and/or cosmetic reasons, will require a signed, dated and completed *Letter of Medical Need* from the attending healthcare professional. A *Letter of Medical Need* can be found at **www.myfbmc.com/michigan** by clicking the "Download Forms" button.

A Letter of Medical Need must accompany the first reimbursement claim each plan year, even if it is for continuing service. Examples of services that need a Letter of Medical Need include massage therapy, some Over-the-Counter drugs and medicines, and prescriptions for drugs like Accutane, Rogaine and Viagra.

Who should complete the Letter of Medical Need form?

The *Letter of Medical Need* should be completed by your healthcare provider (your primary care physician or the healthcare professional who provides the treatment) who will provide the medical diagnosis and treatment on the *Letter of Medical Need.*

What should be included on the Letter of Medical Need?

The *Letter of Medical Need* should include the specific diagnosis, the recommended treatment and the duration of the treatment. The healthcare professional must sign and date the *Letter of Medical Need.* You may use the *Letter of Medical Need* or any other documentation from the provider which includes all of the required information.

Are travel expenses related to my health care reimbursable?

Yes, if the service provided is medically necessary for vision, dental or medical care, then travel to and from the healthcare provider to obtain service is reimbursable. Submit travel expenses when you are claiming reimbursement for the provided service.

Mileage

Mileage may be reimbursed at a rate of $0.22 per mile (amount per mile reimbursable per IRS as of 9/1/05) for trips to and from your healthcare provider. A visit to your pharmacy will be treated as a visit to your local healthcare provider.

Parking fees and tolls

You may seek reimbursement for parking fees and tolls to your medical appointment. To substantiate the claim you will need to provide a receipt for the toll and/or parking fee in addition to a bill or receipt from your healthcare provider.

Expenses incurred for out-of-town healthcare services, i.e., airline fare, hotel room and rental car

You may be reimbursed for the amounts you pay for transportation to another city if the trip is primarily for, and essential to, receiving medical services. You cannot be reimbursed for a trip or vacation taken merely for a change in environment, improvement of morale, or a general improvement of health, even if you make a trip on the advice of a doctor.

Lodging expenses incurred during my dependent's out-of-town hospitalization

You may be reimbursed for the cost of lodging not provided in a hospital or similar institution. The amount you include in medical expenses for lodging cannot be more than $50 per night for each person.

Lodging is reimbursable for a person for whom transportation expenses are a medical expense because that person is traveling with the dependent receiving medical care. For example, if a parent is traveling with a sick child, up to $100 per night can be reimbursed as a medical expense for lodging for both. Meals are not included.

You may calculate the mileage on the actual bill/invoice for medical care that resulted in your mileage claim. Include:

- roundtrip mileage multiplied by $0.22
- the name of the provider visited.

Example: If your office visit with Dr. Jay on 1/2/06 resulted in a total of 80 miles roundtrip, your note should read: 1/2/06—80 miles x $0.22= $17.60 on 1/2/06. Enter $17.60 as the amount requested for reimbursement on your claim form, along with any other expenses associated with your travel (i.e. parking, tolls). Attach your statement, bill or invoice from your health care provider along with your request to validate your visit.

When do I request reimbursement?

You may use your Medical Care FSA to reimburse eligible expenses after you have sought (and exhausted) all means of reimbursement provided by your employer and any other appropriate resource. Also keep in mind that some eligible expenses are reimbursable on the date available, not the date ordered.

How do I request reimbursement?

Requesting reimbursement from your Medical Care FSA is easy. Simply mail or fax a correctly completed FSA Reimbursement Request Form along with the following:

- a statement, invoice or bill from your health care provider listing the date you received the service, the cost of the service, the specific type of service and the person for whom the service was provided or
- an Explanation of Benefits (EOB) from your health insurance provider that shows the specific type of service you received, the date and cost of the service and any uninsured portion of the cost or
- a written statement from your health care provider indicating the service was medically necessary if those services could be deemed cosmetic in nature, accompanied by the receipt, invoice or bill for the service.

Mail to: Contract Administrator
Fringe Benefits Management Company
P.O. Box 1800
Tallahassee, FL 32302-1800

Fax to: 850-425-4608

Visit www.myfbmc.com/michigan for a list of frequently asked questions.

You must keep your receipts for a minimum of one year and submit to FBMC upon request.

OTC Category Reimbursement

Over-the-Counter Expenses

Your Over-the-Counter (OTC) items, medicines and drugs may be reimbursable through your Medical Care FSA! Save valuable tax dollars on certain categories of OTC items, medicines and drugs. You may be reimbursed for OTCs through your Medical Care FSA if:

- the item, medicine or drug was used for a specific medical condition for you, your spouse and/or your dependent(s)
- the submitted receipt clearly states the purchase date and name of the item, medicine or drug
- the reimbursement request is for an expense allowed by IRS regulations and
- you submit your reimbursement request in a timely and complete manner already described in this Plan Booklet.

Note: OTC items, medicines and drugs, including bulk purchases, must be used in the same plan year in which you claim reimbursement for their cost. The list of eligible OTC categories will be updated on a quarterly basis by FBMC. It is your responsibility to remain informed of updates to this listing, which can be found at **www.myfbmc.com/michigan**. As soon as an OTC item, medicine or drug becomes eligible under any of the categories below, it will be reimbursable retroactively to the start of the then current plan year.

Newly eligible OTC items, medicines and drugs are not considered a valid Life Event Change that would allow you to change your annual Medical Care FSA election or salary reduction amount. Be sure to maintain sufficient documentation to submit receipts for reimbursement. You may resubmit a copy of your receipt from your records if a rejected OTC expense becomes eligible for reimbursement later in the same plan year.

Eligible Expense Categories

Allergy
Antihistamines
Nasal sprays

Antacids
Heartburn medicines

Cold Remedies
Cough drops
Decongestants
Nasal strips
Nasal sprays
Sinus medications
Throat lozenges

Pain Relief
Bug bite medication
Fever reducers
First aid creams (diaper, fever blister, poison ivy)
Menstrual cycle products for pain and cramp relief
Products for muscle or joint pain
Special ointments or creams for sunburn
Topical creams

Other Medical Remedy Items
Anti-diarrheals
Anti-fungals
Antibiotics
Asthma medications
Bandages, gauze pads, rubbing alcohol, liquid adhesives
Carpal tunnel wrist supports
Cold/hot packs for injuries
Corn/callus removers
Eye products (including reading glasses, contact lens cleaning solutions)
First aid kits
Hemorrhoid treatments
Laxatives
Motion sickness treatments
Nicotine gum or patches for smoking cessation purposes
Thermometers
Wart removers

Items Requiring Special Documentation*

Botanicals/herbals
Feminine hygiene products
Hormones
Minerals
Nasal sprays for snoring
Sunscreens
Vitamins
Weight-loss drugs to treat a specific disease

Ineligible OTC Expenses

Cosmetics
Toiletries
OTC items primarily for general health and well-being

* Contact FBMC Customer Service at **webcustomerservice@myfbmc.com/michigan** or call FBMC Customer Service at 1-800-342-8017 for more information. To obtain a sample Letter of Medical Need, Personal Use Statement or other forms, visit **www.myfbmc.com/michigan**.

Note: An EZ REIMBURSE® MasterCard® Card can not be used for Over-the-Counter expenses.

Minimum Annual Deposit: **$2 bi-weekly**

Maximum Annual Deposit: **The maximum contribution depends on your tax filing status as the list below indicates.**

What is a Dependent Care FSA?

A Dependent Care FSA is an IRS tax-favored account you can use to pay for your eligible dependent care expenses to ensure your dependents (child or elder) are taken care of while you and your spouse (if married) are working. These funds are set aside from your salary before taxes are deducted, allowing you to pay your eligible expenses tax free. A partial list of these eligible expenses can be found on this page.

Whose expenses are eligible?

You may use your Dependent Care FSA to receive reimbursement for eligible dependent care expenses for **qualifying individuals**.

A qualifying individual includes a **qualifying child**, if they:

- are a U.S. citizen, national or a resident of the U.S., Mexico or Canada
- have a specified family-type relationship to you
- live in your household for more than half of the taxable year
- are 12 years old or younger and
- have not provided more than one-half of their own support during the taxable year.

A qualifying individual includes your **spouse**, if they:

- are physically and/or mentally incapable of self care
- live in your household for more than half of the taxable year and
- spend at least eight hours per day in your home.

A qualifying individual includes your **qualifying relative**, if they:

- are a U.S. citizen, national or a resident of the U.S., Mexico or Canada
- are physically and/or mentally incapable of self care
- are not someone else's qualifying child
- live in your household for more than half of the taxable year and
- spend at least eight hours per day in your home
- have a gross income less than the taxable year exemption amount ($3,200 for 2005) and
- receive more than one-half of their support from you during the taxable year.

Note: If you are the tax dependent of another person, you cannot claim qualifying individuals for yourself. You cannot claim a qualifying individual if they file a joint tax return with their spouse. Only the custodial parent of divorced or legally-separated parents can be reimbursed using the Dependent Care FSA.

Partial List of Eligible Expenses*

After school care
Baby-sitting fees
Day care services
Federal/State Taxes/Workers' Compensation (for in-home provider)
In-home care/au pair services
Nursery and preschool
Summer day camps

Note: Budget conservatively. No reimbursement or refund of Dependent Care FSA funds is available for services that do not occur within your plan year and corresponding grace period.

* IRS-qualified expenses are subject to federal regulatory change at any time during a tax year. Certain other substantiation requirements and restrictions may apply, and will be supplied to you following enrollment.

What is my maximum annual deposit?

- If you are married and filing separately, your maximum annual deposit is $2,500.
- If you are single and head of household, your maximum annual deposit is $5,000.
- If you are married and filing jointly, your maximum annual deposit is $5,000.
- If either you or your spouse earn less than $5,000 a year, your maximum annual deposit is equal to the lower of the two incomes.
- If your spouse is a full-time student or incapable of self-care, your maximum annual deposit is $3,000 a year for one dependent and $5,000 a year for two or more dependents.

When are my funds available?

Once you sign up for a Dependent Care FSA and decide how much to contribute, the funds available to you depend on the actual funds in your account. Unlike a Medical Care FSA, the entire maximum annual amount is not available during the plan year, but rather after your payroll deductions are received.

Should I claim tax credits or exclusions?

Since money set aside in your Dependent Care FSA is always tax free, you guarantee savings by paying for your eligible expenses through your IRS tax-favored account. Depending on the amount of income taxes you are required to pay, participation in a Dependent Care FSA may produce a greater tax benefit than claiming tax credits or exclusions alone.

Remember, you cannot use the dependent care tax credit if you are married and filing separately. Further, any dependent care expenses reimbursed through your Dependent Care FSA cannot be filed for the dependent care tax credit, and vice versa.

To help you choose between the available taxable and tax-free benefits, or a combination of both, consult your tax advisor and/or the IRS for additional information. You may also visit **www.myfbmc.com/michigan** to complete a Tax Savings Analysis.

Dependent Care FSA

CONTINUED

Are some expenses ineligible?

Expenses not eligible for reimbursement through your Dependent Care FSA include:

- books and supplies
- child support payments or child care if you are a non-custodial parent
- health care or educational tuition costs and
- services provided by your dependent, your spouse's dependent or your child who is under age 19.

I am expecting my first child in 2006. Should I enroll in a Dependent Care FSA now?

No. Contact the MI HR Service Center within 30 days following the birth of your child to enroll.

Will I need to keep any additional documentation?

To claim the income exclusion for dependent care expenses on IRS Form 2441 (Child and Dependent Care Expenses), you must be able to identify your dependent care provider. If your dependent care is provided by an individual, you will need their Social Security number for identification, unless he or she is a resident or non-resident alien who does not have a Social Security number. If your dependent care is provided by an establishment, you will need its Taxpayer Identification number.

If you are unable to obtain a dependent care provider's information, you must compose a written statement that explains the circumstances and states that you made a serious and earnest effort to get the information. This statement must accompany your IRS Form 2441.

When do I request reimbursement?

You can request reimbursement from your Dependent Care FSA as often as you like. However, your approved expense will not be reimbursed until the last date of service for which you are requesting reimbursement has passed. Also, remember that for timely processing of your reimbursement, your payroll contributions must be current.

How do I request reimbursement?

Requesting reimbursement from your Dependent Care FSA is easy. Simply mail or fax a completed FSA Reimbursement Request Form along with receipts showing the following:

- the name and age of the dependent receiving the service
- the cost of the service
- the name and address of the provider and
- the beginning and ending dates of the service.

Be certain you obtain and submit the above information when requesting reimbursement from your Dependent Care FSA. This information is required with each request for reimbursement.

Mail to: Contract Administrator
Fringe Benefits Management Company
P.O. Box 1800
Tallahassee, FL 32302-1800

Fax to: 850-425-4608

Note: If you elect to participate in the Dependent Care FSA, or if you file for the Dependent Care Tax Credit, you must attach IRS Form 2441, reflecting the information above, to your 1040 income tax return. Failure to do this may result in the IRS denying your pre-tax exclusion.

Be certain you obtain and submit all needed information when requesting reimbursement from your Dependent Care FSA. This information is required with each request for reimbursement.

A properly completed request will help speed along the process of your reimbursement, allowing you to receive your check or Direct Deposit promptly.

To figure out how much to deposit in your FSA, refer to the following worksheets. Calculate the amount you expect to pay during the plan year for eligible, uninsured out-of-pocket medical and/or dependent care expenses. This calculated amount cannot exceed established IRS and plan limits. (Refer to the individual FSA descriptions in this Plan Booklet for limits.)

Be conservative in your estimates, since any money remaining in your accounts cannot be returned to you.

MEDICAL CARE FSA WORKSHEET

Estimate your eligible, uninsured out-of-pocket medical expenses for the plan year.

UNINSURED MEDICAL EXPENSES

Health insurance deductibles	$ _____
Coinsurance or co-payments	$ _____
Vision care	$ _____
Dental care	$ _____
Prescription drugs	$ _____
Travel costs for medical care	$ _____
Other eligible expenses	$ _____
EZ REIMBURSE® MasterCard® Card annual, non-refundable fee ($10)	$ _____
TOTAL	$ _____
DIVIDE by the number of paychecks you will receive during the plan year (1-26).*	÷ _____
This is your pay period contribution.	$ _____

* If you are a new employee enrolling after the plan year begins, divide by the number of pay periods remaining in the plan year. Calculate your expenses from your effective date of coverage through the end of the plan year.

DEPENDENT CARE FSA WORKSHEET

Estimate your eligible dependent care expenses for the plan year. Remember that your calculated amount cannot exceed the calendar year limits established by the IRS.

CHILD CARE EXPENSES

Day care services	$ _____
In-home care/au pair services	$ _____
Nursery and preschool	$ _____
After school care	$ _____
Summer day camps	$ _____
Federal/State Taxes/Workers' Compensation (for in-home provider)	$ _____

ELDER CARE SERVICES

Day care center	$ _____
In-home care	$ _____
TOTAL Remember, your total contribution cannot exceed IRS limits for the plan year and calendar year.	$ _____
DIVIDE by the number of paychecks you will receive during the plan year (1-26).*	÷ _____
This is your pay period contribution.	$ _____

* If you are a new employee enrolling after the plan year begins, divide by the number of pay periods remaining in the plan year. Calculate your expenses from your effective date of coverage through the end of the plan year.

At your request, your FSA reimbursement checks may be deposited into your checking or savings account by enrolling in Direct Deposit.

Please remember to add the $10 annual fee to your Medical Care FSA contribution if you plan to use your EZ REIMBURSE® Card as a form of payment.

Changing Your Coverage

Am I permitted to make mid-plan year election changes?

Under some circumstances, the IRS may permit you to make a mid-plan year election change to your FSA election, or vary a salary reduction amount, depending on the qualifying life event and requested change.

How do I make a change?

You can change your Flexible Spending Account (FSA) election(s), or vary the salary reduction amounts you have selected during the plan year, only under limited circumstances as provided by established IRS guidelines. Partial lists of permitted qualifying events under your employer's plan(s) appear on the following page. *Election changes must be consistent with the event.*

To Make a Change: Within **30 days** of an event that is consistent with one of the events on the following page, **you may initiate Life Event Changes by accessing the MI HR Service Center**. Upon completion of your MI HR Life Event Change, your existing FSA(s) elections will be stopped or modified (as appropriate). You will be required to provide appropriate documentation substantiating the life event.

Mid-plan year election changes can only be made prospectively and will be effective the first payroll after your election change request has been processed. If your FSA election change request is denied, you will have **30 days**, from the date you receive the denial, to file an appeal with the Employee Benefits Division. For more information, refer to the "Appeal Process" section on Page 6.

What is my Period of Coverage?

Your period of coverage for incurring expenses is your full plan year, unless you make a permitted mid-plan year election change. For a Medical Care FSA, a mid-plan year election change will result in split periods of coverage, creating more than one period of coverage within a plan year with expenses reimbursed from the appropriate period of coverage. Money from a previous period of coverage can be combined with amounts after a permitted mid-plan year election change. However, expenses incurred before the permitted election change can only be reimbursed from the amount of the balance present in the Medical Care FSA prior to the change. Mid-plan year election changes are approved only if the extenuating circumstances and supporting documentation are within your employer's Medical Care FSA plan and the IRS regulations governing the plan.

Split periods of coverage do not apply to Dependent Care FSAs.

What are the IRS Special Consistency Rules Governing Life Event Changes?

1. **Loss of Dependent Eligibility–** If a change in your marital or employment status involves a decrease or cessation of your spouse's or dependent's eligibility requirements for coverage due to: your divorce, your spouse's or dependent's death or a dependent ceasing to satisfy eligibility requirements, you may decrease or cancel coverage only for the individual involved. You cannot decrease or cancel any other individual's coverage under these circumstances.
2. **Gain of Coverage Eligibility Under Another Employer's Plan–** If you, your spouse or your dependent gains eligibility for coverage under another employer's plan as a result of a change in marital or employment status, you may cease or decrease that individual's coverage if that individual gains coverage, or has coverage increased under the other employer's plan.
3. **Dependent Care Expenses–** You may change or terminate your Dependent Care FSA election when a Life Event Change affects (i) eligibility for coverage under an employer's plan, or (ii) eligibility of dependent care expenses for the tax exclusion available under IRC § 129.

Changes in Status:

Marital Status	A change in marital status includes marriage, death of a spouse, divorce.
Change in Number of Tax Dependents	A change in number of dependents includes the following: birth, death, adoption and placement for adoption. You can add existing dependents not previously enrolled whenever a dependent gains eligibility as a result of a valid Life Event Change.
Change in Status of Employment Affecting Coverage Eligibility	Change in employment status of the employee, or a spouse or dependent of the employee, that affects the individual's eligibility under an employer's plan includes commencement or termination of employment.
Gain or Loss of Dependents' Eligibility Status	An event that causes an employee's dependent to satisfy or cease to satisfy coverage requirements under an employer's plan may include change in age, student, marital, employment or tax dependent status.

Some Other Permitted Changes:

Judgment/Decree/Order†	If a judgment, decree or order from a divorce or change in legal custody requires that you provide accident or health coverage for your dependent child (including a foster child who is your dependent), you may change your election to provide coverage for the dependent child. If the order requires that another individual (including your spouse and former spouse) covers the dependent child and provides coverage under that individual's plan, you may change your election to revoke coverage only for that dependent child and only if the other individual actually provides the coverage.
Medicare/Medicaid†	Gain or loss of Medicare/Medicaid coverage may trigger a permitted election change.
Family and Medical Leave Act (FMLA) Leave of Absence	Election changes may be made under the special rules relating to changes in elections by employees taking FMLA leave. Contact the MI HR Service Center for additional information.

† Does not apply to a Dependent Care FSA plan.

IMPORTANT INFORMATION ABOUT YOUR COBRA CONTINUATION COVERAGE RIGHTS

What is continuation coverage?

Federal law requires that most group health plans, including Medical Flexible Spending Accounts (Medical Care FSAs), give employees and their families the opportunity to continue their health care coverage when there is a "qualifying event" that would result in a loss of coverage under an employer's plan. "Qualified beneficiaries" can include the employee covered under the group health plan, a covered employee's spouse and dependent children of the covered employee.

Each qualified beneficiary who elects continuation coverage will have the same rights under the plan as other participants or beneficiaries covered under the plan, including special enrollment rights. Specific information describing continuation coverage can be found in the summary plan description (SPD), which can be obtained from your employer.

What happens if I retire, go on a leave of absence, experience a layoff, experience lost time, or separate from State Service?

If you are planning for any of these events to occur during the calendar year, you may sign up for your annual deduction to be spread over available pay periods. If any of these unplanned events occur during the calendar year, **you** must contact the MI HR Service Center at least **two weeks** prior to your last day of work. You are eligible for reimbursement of expenses that you incur after the date of your last paycheck only by continuing to make the biweekly deduction payments.

There are two options for payment of your deduction amount:

- You can arrange to have the balance of your deductions taken from your last paycheck. The deduction will be taken from pre-tax dollars.
- You can arrange, with the MI HR Service Center, to pay the balance of deductions. Payments are made with post-tax dollars.

If you do not notify the MI HR Service Center before going off payroll, your future claims may not be reimbursed. FBMC will not process claims for reimbursement of expenses incurred after the date of your last paycheck until payment has been received from you. This is true even if you had a balance in your account as of the date of your last paycheck. Paying the balance of the billed deductions will enable you to receive full reimbursement for expenses incurred through the end of the year, and recapture amounts remaining in your account at the time you went off payroll.

If you return from a leave of absence, you must contact the MI HR Service Center to discuss recovery of missed deductions and eligibility requirements.

How long will continuation coverage last?

For Medical Care FSAs:

Because you fund your Medical Care FSA entirely, you may continue your Medical Care FSA (on a post-tax basis) only for the remainder of the plan year in which your qualifying event occurs, **if** you have not already received, as reimbursement, the maximum benefit available under the Medical Care FSA for the year. For example, if you elected a maximum Medical Care FSA benefit of $1,000 for the plan year and have received only $200 in reimbursement, you may continue your Medical Care FSA for the remainder of the plan year or until such time that you receive the maximum Medical Care FSA benefit of $1,000.

How much does continuation coverage cost?

For Medical Care FSAs, the cost for continuation of coverage is a monthly amount calculated and based on the amount you are paying via pre-tax, salary reductions before a qualifying event.

When and how must payments for continuation coverage be made?

First Payment for Continuation Coverage

If you elect continuation coverage, you do not have to send any payment for continuation coverage with the COBRA Election Form. However, you must make your first payment for continuation coverage **within 45 days after the date of your election.** (This is the date the Election Notice is post-marked, if mailed.) If you do not make your first payment for continuation coverage within that 45 days, you will lose all continuation coverage rights under the Plan.

Your first payment must cover the cost of continuation coverage from the time your coverage under the Plan would have otherwise terminated up to the time you make the first payment. You are responsible for making sure that the amount of your first payment is enough to cover this entire period. You may contact FBMC to confirm the correct amount of your first payment. Instructions for sending your first payment for continuation coverage will be shown on your COBRA Election Notice/Form.

Periodic Payments for Continuation Coverage

After you make your first payment for continuation coverage, you will be required to pay for continuation coverage for each subsequent month of coverage. Under the Plan, these periodic payments for continuation coverage are due on the **fifteenth day of the prior month**. Instructions for sending your periodic payments for continuation coverage will be shown on your COBRA Election Notice/Form.

Grace Periods for Periodic Payments

Although periodic payments are due on the dates shown above, you will be given a grace period of 30 days to make each periodic payment. Your continuation coverage will be provided for each coverage period as long as payment for that coverage period is made before the end of the grace period for that payment. If you pay a periodic payment later than its due date but during its grace period, your coverage under the Plan will be suspended as of the due date and then retroactively reinstated (going back to the due date) when the periodic payment is made. This means that any claim you submit for benefits while your coverage is suspended may be denied and may have to be resubmitted once your coverage is reinstated. If you fail to make a periodic payment before the end of the grace period for that payment, you will lose all rights to continuation coverage under the Plan.

For More Information

For more information about your COBRA rights, the Health Insurance Portability and Accountability Act (HIPAA) and other laws affecting group health plans, contact the U.S. Department of Labor's Employee Benefits Security Administration (EBSA) in your area or visit the EBSA Web site at **www.dol.gov/ebsa**.

Keep Your Address Updated

In order to protect your family's rights, you should keep your employer and FBMC informed of any changes in the addresses of family members. You should also keep a copy, for your records, of any notices you send to your employer and FBMC.

Social Security

Social Security consists of two tax components: the FICA or OASDI component (the tax for old-age, survivors' and disability insurance) and the Medicare component. A separate maximum wage to which the tax is assessed applies to both tax components. There is no maximum taxable annual wage for Medicare. The maximum taxable annual wage for FICA is subject to federal regulatory change. If your annual salary after salary reduction is below the maximum wage cap for FICA, you are reducing the amount of taxes you pay and your Social Security benefits may be reduced at retirement time.

However, the tax savings realized through the Flexible Benefits Plan generally outweigh the Social Security reduction. Call FBMC Customer Service at 1-800-342-8017 for an approximation.

FBMC Privacy Notice 4/14/03

This notice applies to products administered by Fringe Benefits Management Company and its wholly-owned subsidiaries (collectively "FBMC"). FBMC takes your privacy very seriously. As a provider of products and services that involve compiling personal—and sometimes, sensitive—information, protecting the confidentiality of that information has been, and will continue to be, a top priority of FBMC. This notice explains how FBMC handles and protects the personal information we collect. Please note that the information we collect and the extent to which we use it will vary depending on the product or service involved. In many cases, we may not collect all of the types of information noted below. FBMC's privacy policy is as follows:

I. We collect only the customer information necessary to consistently deliver responsive services. FBMC collects information that helps serve your needs, provide high standards of customer service and fulfill legal and regulatory requirements. The sources and types of information collected generally varies depending on the products or services you request and may include:
   - Information provided on enrollment and related forms - for example, name, age, address, Social Security number, e-mail address, annual income, health history, marital status and spousal and beneficiary information.
   - Responses from you and others such as information relating to your employment and insurance coverage.
   - Information about your relationships with us, such as products and services purchased, transaction history, claims history and premiums.
   - Information from hospitals, doctors, laboratories and other companies about your health condition, used to process claims and prevent fraud.

II. Under HIPAA, you have certain rights with respect to your protected health information. You have rights to see and copy the information, receive an accounting of certain disclosures of the information and, under certain circumstances, amend the information. You also have the right to file a complaint with the Plan in care of FBMC's Privacy Officer or with the Secretary of the U.S. Department of Health and Human Services if you believe your rights under HIPAA have been violated.

    Additional information that describes how medical information about you may be used and disclosed and how you can get access to this information is provided electronically on our Web site: www.myfbmc.com/michigan. You have a right to a paper copy at any time. Contact FBMC Customer Service at 1-800-342-8017.

III. We maintain safeguards to ensure information security. We are committed to preventing unauthorized access to personal information. We maintain physical, electronic and procedural safeguards for protecting personal information. We restrict access to personal information to those employees, insurance companies and service providers who need to know that information to provide products or services to you. Any employee who violates our Privacy Policy is subject to disciplinary action.

IV. We limit how, and with whom, we share customer information. We do not sell lists of our customers, and under no circumstances do we share personal health information for marketing purposes. With the following exceptions, we will not disclose your personal information without your written authorization. We may share your personal information with insurance companies with whom you are applying for coverage, or to whom you are submitting a claim. We also may disclose personal information as permitted or required by law or regulation. For example, we may disclose information to comply with an inquiry by a government agency or regulator, in response to a subpoena or to prevent fraud.

We will provide our Privacy Notice to current customers annually and whenever it changes. If you no longer have a customer relationship with us, we will still treat your information under our Privacy Policy, but we will no longer send notices to you. In this notice of our Privacy Policy, the words "you" and "customer" are used to mean any individual who obtains or has obtained an insurance, financial product or service from FBMC that is to be used primarily for personal or family purposes.

Notice of Administrator's Capacity

PLEASE READ: This notice advises Flexible Spending Account participants of the identity and relationship between the State of Michigan and its Contract Administrator, Fringe Benefits Management Company (FBMC). FBMC is not an insurance company. FBMC has been authorized by your employer to provide administrative services for the Flexible Reimbursement Account plans offered herein. FBMC will process claims for reimbursement promptly. In the event there are delays in claims processing, you will have no greater rights in interest or other remedies against FBMC than would otherwise be afforded to you by law.

Written Certification

When enrolling in either or both FSAs, written notice of agreement with the following will be required:

- I will only use my FSA to pay for IRS-qualified expenses eligible under my employer's plan, and only for me and my IRS-eligible dependents
- I will exhaust all other sources of reimbursement, including those provided under my employer's plan(s) before seeking reimbursement from my FSA
- I will not seek reimbursement through any additional source and
- I will collect and maintain sufficient documentation to validate the foregoing.

Notes

Contract Administrator
Fringe Benefits Management Company
P.O. Box 1878 • Tallahassee, Florida 32302-1878
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